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UMTA's Teele: The new policy on rail transit

August 10, 1981

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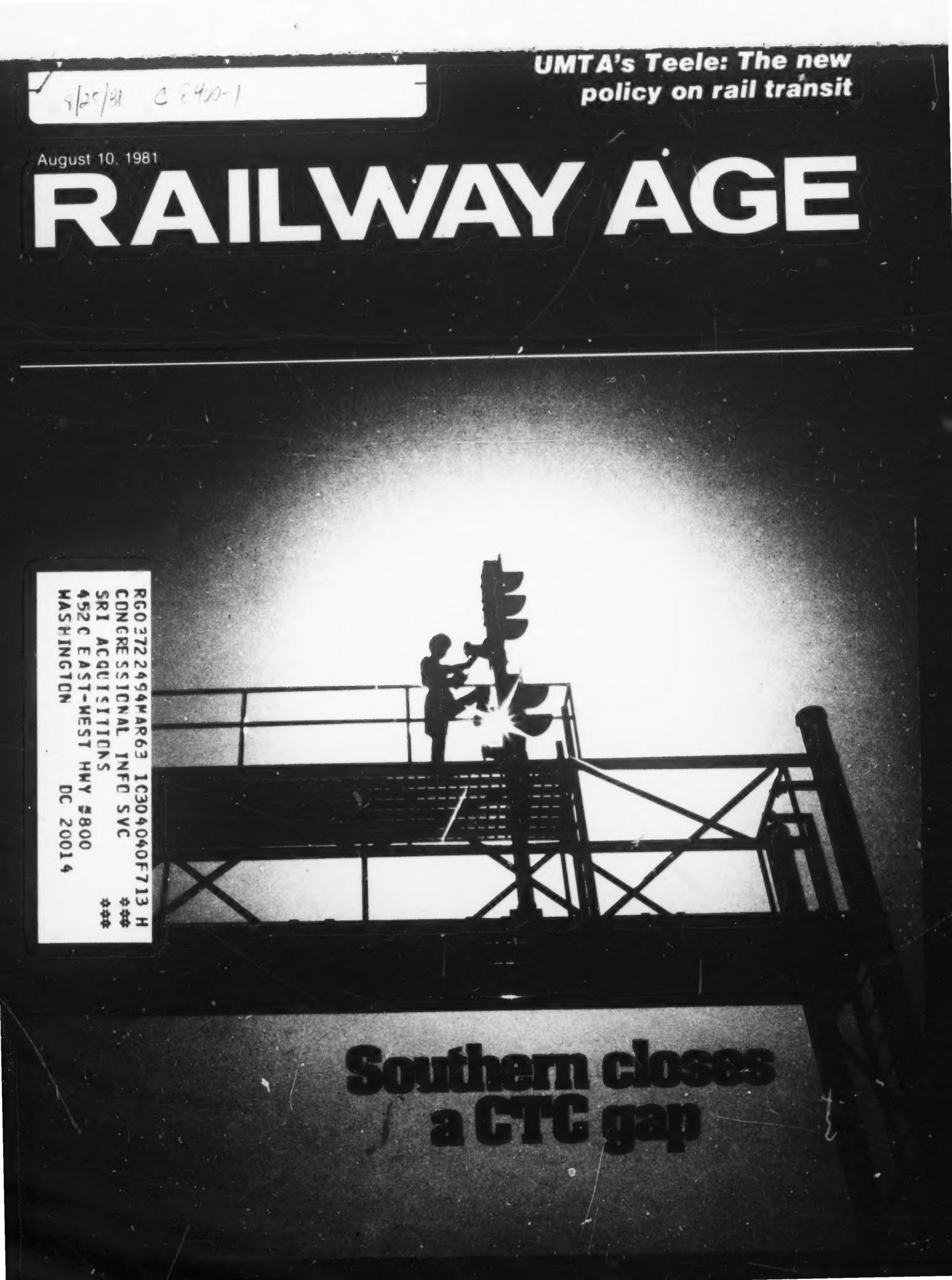

Southern closes a CTC gap

RAILWAY AGE

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COVER: Safetran photo.

UMTA's Teele:

A slow order for rail transit

A practicing lawyer since 1976, Arthur E. Teele, Jr. earlier served in the U.S. Army for 11 years as a company commander and later as Senior Aide-de-Camp and Special Private Counsel to the Commander, XVIII Airborne Division. His appointment as Administrator of the Urban Mass Transportation Administration (UMTA) in April came after he worked as a national director of the Reagan-Bush campaign. Railway Age Associate Editor Bill Fahrenwald interviewed Teele in his Washington office.

Railway Age: Shortly before your confirmation you were quoted as saying, "The greatest potential for saving money and reducing oil imports can be achieved in addressing public transportation's ability to provide an alternate transportation choice for work trips." How are you trying to achieve this shift as UMTA administrator?

Teele: I don't think the shift is one that should be governmentally induced. I think government's role is to provide that important alternative. To that extent the marketplace forces—the cost of automobiles, the cost of operating automobiles, the congestion—will force the public to make an intelligent choice.

Do Americans want to continue their love of the automobile, or will there be a series of events—much like the Arab oil embargo of 1973—that will force the public to public transportation? As UMTA administrator I intend to ensure that we maintain that option for the American people through the presence of a viable alternative.

RA: Your position is that you are postponing new rail starts until the economy is ready to support them. How long is that postponement going to be?

Teele: Of course the postponement you're referring to is the one the President announced on Feb. 17 with his economic recovery package. It's not a postponement by the UMTA administrator or the Secretary of Transportation. It's based on a number of factors that include transportation issues, but transportation is not the sole, or, for that matter, the principal issue.

The principal issue is the economic condition of this country and the revitalization of the economy. And there is no segment of the economy on which inflation has a more severe toll than on public transportation with its heavily indexed wage rates. The postponement of new construction—to the extent that it will help the economy restore itself to its rightful place—is helpful directly to transportation.

"You have to question whether or not new rail starts have the national, overall impact of many other types of services...."

UMTA Administrator Arthur E. Teele, Jr.

If you look at the new-starts deferral the President announced from a purely transportation perspective you still have to question whether or not new rail starts have the national, overall impact of many other types of services such as expanding bus services. This is particularly true in light of population shifts in the Sunbelt and West. We must have a transportation system that is flexible enough to meet the new needs and the new transportation demands. A new rail start is not going to necessarily address that.

New rail starts are extremely capital intensive. The benefit is necessarily limited in scope to a very, very small or narrow geographic and population area—considering the nation as a whole—and in many ways it's not difficult to see how the President's postponement of new rail starts fits into a national economic scheme.

RA: How will this postponement affect the car-building and supply industries that are now available to construct transit systems? Will the industry be there when new rail starts are finally resumed?

Teele: We've taken every action to balance the expectations of various transit properties with this policy. And while this policy is clear, there are varying projects already under way. There are actions that, as administrator, I can take to minimize any potential adverse impact—and we're doing that. But I think it should be very, very clear: we're talking about five cities specifically and ten cities generally when we talk about the new rail starts delay. We're not talking about the United States, we're talking about five to ten specific transit areas—a very small percentage of the overall transit community.

The greatest demand for car building is in the replacement of existing systems rather than in the area of expanding fleets. Quite frankly, because of the historical sequence of events, where the American car builders were at one time a permanent and real force in this marketplace, today you will find that an alarming amount of this equipment is being purchased from abroad.

RA: The Administration wants to completely eliminate operating assistance over a period of time. It has been pointed out that this could lead to inadequate maintenance of equipment that will still be purchased with UMTA money. Is there a compromise that can be worked out to provide some maintenance money?

Teele: First of all, let's put the record straight. 80% of the operating and maintenance [O&M] money you're talking about is used for wages. It's not used for renovation or restoration, it's used for wages. Less than 15% is used for maintenance. Actually, less than 9% is more in line—that's for non-labor maintenance. When you talk about O&M money

you're talking about labor funds to pay the wages for operating the system.

We have earmarked money from our capital program—a sizeable amount of money—for restoration, refurbishing, and revitalization of equipment as a capital cost.

We're concerned about maintenance programs and we have taken extraordinary actions in the area of life cycle costing and other related areas. We're working with both the transit community and labor to ensure maintenance. We believe we can get the best consideration for maintenance by putting the additional pressure to maintain equipment on transit agencies through a more rational capital replacement program than by going into the shop foreman's office with federal inspectors telling them how to run their maintenance shop.

RA: Is there room for compromise on operating assistance? Would you be willing to consider a reduced level of aid if innovative ways could be found for cities to come up with a greater percentage of their costs?

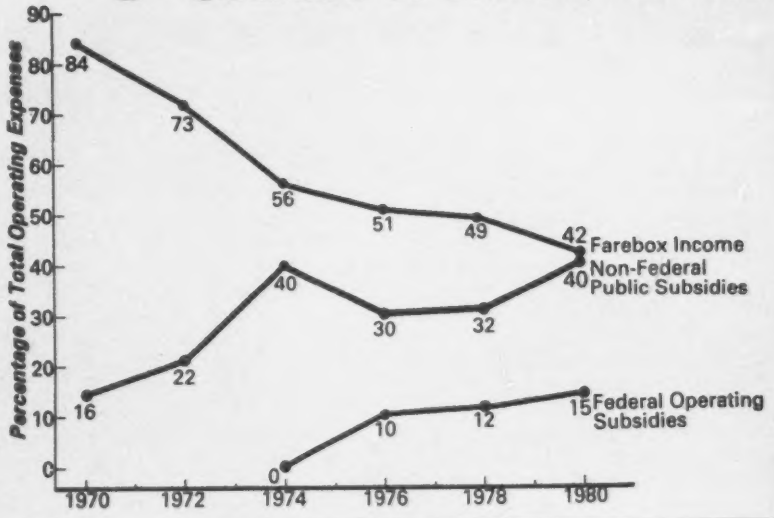
Teele: We have a policy to encourage local transit properties to dedicate a local source of funding and revenue for transit operations. That is a stated goal and policy of this administration. As administrator I attempt to scrutinize and rationalize any grant or administrative action with a view toward cooperating and assisting those communities that have a dedicated source of funds.

We are philosophically committed to a phase-out of operating subsidies. There is nothing in the record to suggest that when this so-called temporary fix was passed in 1974—designed to put transit operations on a long term secure footing—there is nothing in the record to suggest that operating subsidies have done that. We're locked-in to our position, but someone once said that politics is the art of compromise.

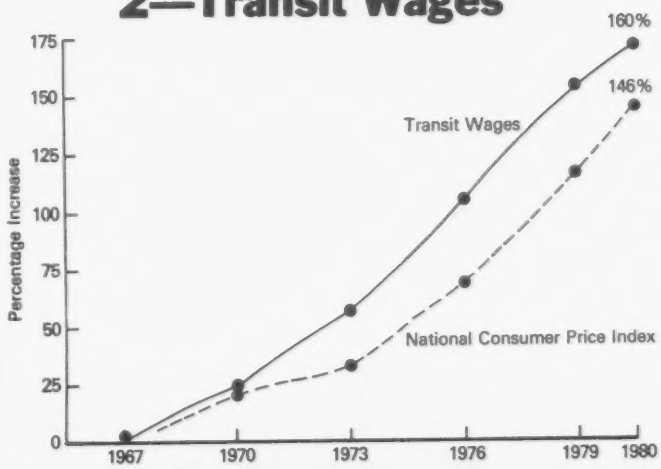
RA: Is your primary objection to operating assistance the fact that it has promoted high labor costs?

Teele: I wouldn't want to blame it all on labor costs. I think it [operating assistance] has promoted a degree of inefficiency in the overall management of transit operations, including labor costs. Transit management has not had to pay as close attention to the details because there was that federal pot of dollars at the end of the bargaining table.

1—Sources of Transit Revenue

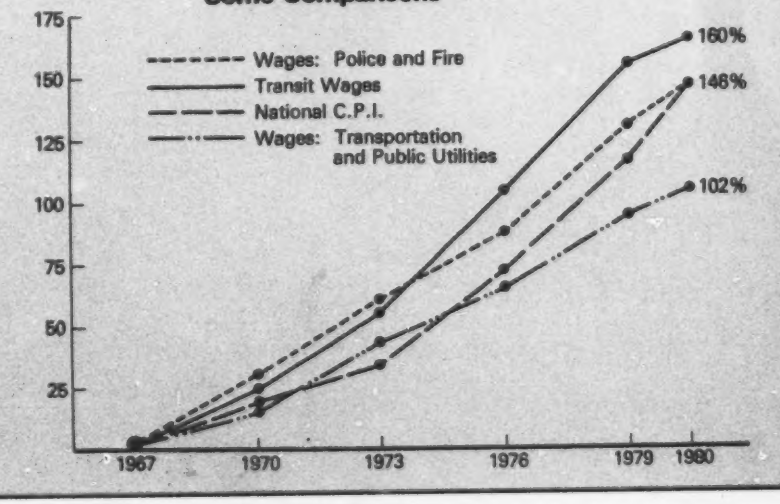


2—Transit Wages



3—Transit Wages:

Some Comparisons



where transit was as it relates to the source of funding, you will see what has happened by the line tracing non-federal public subsidies. In a two year period, 1974-1976, the federal dollars went from zero to 10%—Section Five of operating subsidies—and the percentage of non-federal operating subsidies dropped by the corresponding amount. Basically, there was a transfer.

Of course, the wage chart [chart 2] tends to indicate that transit wages have historically been very close to the Consumer Price Index [CPI] up until about 1972. But in 1974 the gap widened. I think the more graphic chart [chart 3] is the wage trend that reflects transit workers against municipal police and fire and all the transportation and public utility workers against the CPI.

What you can see is that transit wages stayed right in the pack until 1974. In 1974 they broke out of the pack and have just clearly outstripped everything in the comparable fields. In 1980, using 1967 as a base year, the CPI represents a 146% increase and the transit workers represent 160%, which is a significant statistical difference.

There are some responses to this. What transit labor would suggest is that before 1974 transit wages were artificially and arbitrarily held below that of other comparable workers and there is some evidence to suggest that they were so restrained before 1974. Labor would say this period between '74 and '81 represents merely an adjustment.

RA: Given that wages are one of the major problems promoted by operating assistance, would there be any interest from your agency in providing block grants that would somehow isolate wages from being federally funded?

Teele: Block grants are a very exciting, interesting proposal. We are looking very closely to determine the applicability of a modified block grant for transit agencies. We would, of course, oppose the use of block grant funds for operating subsidies, even if it were five or ten percent. The question is a bit more flexible if it deals with non-labor related costs for block grants. But this administration unalterably opposes the use of operating funds in a block grant concept.

RA: Residents of cities like Chicago, New York, and Washington have seen hefty fare increases, taking some of the force away from your argument that transit fares are not keeping pace with inflation. Do you think further major fare increases are necessary, or, put another way, what price should the average bus rider pay?

Teele: You know, that's a hard question. That's really not a question that lends itself to a federal bureaucrat trying to provide an answer. This administration believes that the unit of government that is closest to the people should be most responsive to the people and should make determinations regarding these matters. Fares are governed by forces outside of local government's control—such as the cost of fuel, cost of a bus, etc.—but essentially fares are a mixture of a number of variables that have to be rationalized at the local government level.

It's not just a question of whether the average fare should be 50 cents, or a quarter, or a dollar, for that matter. Each locality must tailor its services to its needs. We believe that the total fare box should somewhat represent the cost of delivering that service, less other public and non-public subsidies such as advertising on the buses or rental of space in a terminal. Obviously a dedicated source of funding could translate into a lower farebox.

The question of fares is a very complicated, convoluted issue that doesn't lend itself to a federal policy except to say that the federal policies in the past have in fact restrained a rational fare policy and have suggested that fares should be kept as low as possible.

RA: Should UMTA assure the nation's poor of a basic level of transportation?

(Continued on page 39)

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A slow order for rail transit

(Continued from page 30)

Teele: I think social responsibilities belong at the local and state level first. We will continue to study social problems as they relate to transportation. But I don't think social concerns should necessarily be the overriding concern. The overriding concern in UMTA is a rational overall transportation policy that seeks to rationalize social, economic, environmental and energy related subpolicies that interface with a national public transportation policy.

RA: What do you think about the private sector's role in providing transit?

Teele: The private sector's involvement in the expanding transit industry as we see it in the 1980s is probably one of the more exciting possibilities that we face. I see a new partnership between public and private transit. Private transit will either work at the local level with public transit and metropolitan planning organization boards or, in some cases, public agencies will sub-contract services. This has happened particularly in the area of the elderly and handicapped across this country. I don't see the federal government participating on a financial basis with the private sector and I don't see the federal government attempting to co-opt the private sector into the federal government.

RA: Is there going to be any UMTA involvement in the transfer of Conrail commuter services to Amtrak or the local transit authorities in the northeast?

Teele: There is UMTA involvement in that. I have designated my chief counsel to work very closely with the Secretary of Transportation's general counsel. UMTA's very much involved in an in-house way. We do not have the lead. The Federal Railroad Administration has the lead, and we have deferred to them.

We have taken a number of steps to ensure that the commuter interests are fully understood by the office of the Secretary. Secondly, we have reorganized our railroad technical assistance office. We have transferred it from transit assistance to the policy office and have beefed it up. We are in virtually day-to-day contact with the transit authorities that we deal with on non-commuter rail matters and we're expanding that to a team that has contact with them in the policy office that now is dealing with them on potential commuter rail problems.

RA: I understand you are promoting some legislation that will resolve the handicapped transit issue.

Teele: Senate bill 1160 contains legislative authority that in effect would modify the existing 504 regulations from full [handicapped] accessibility to a local option.

The court, in the case of APTA [the American Public Transit Association] versus Lewis, has returned our 504 regulations for a review to determine whether or not we have sufficient statutory or regulatory authority to issue those regulations. That remand by the court has provided us with a unique opportunity to amend the regulations. I would imagine that our amended regulations would closely conform with the pre-504 regulations that require "best effort" to provide for alternate service for handicapped.

RA: At a recent hearing, Rep. Benjamin [D-Ind.] voiced concern that the administration was more sympathetic to the interests of the oil producers' lobby than that of the transit users. And there are those who note your own resume contains little of direct application to the transit industry. Do you feel that the administration—and you as its appointee—are committed advocates for the needs of transit users?

Teele: I am, and I'm sure the administration is. ■

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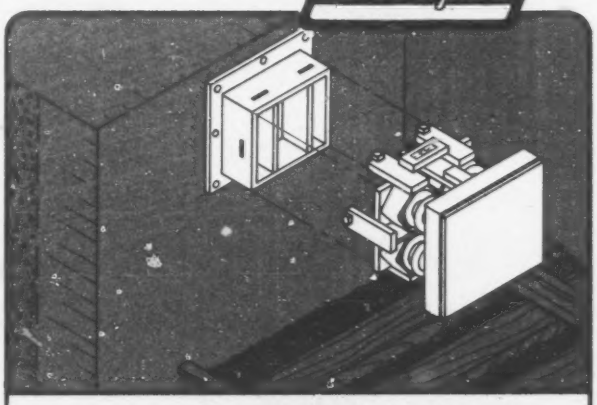

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Market

CARLOADINGS

Loadings of revenue freight in the week ended July 18 totaled 423,607 cars, according to the Association of American Railroads. This was an increase of 20,106 cars, or 5.0%, compared with the corresponding week last year. Ton-miles generated by carloadings in the week ended July 18 are estimated at 17.8 billion, an increase of 7.0% above the corresponding week of 1980.

REVENUE FREIGHT CARLOADINGS

Commodity	July 18 week	July 11 week
Grain	23,820	20,132
Farm products	3,936	3,705
Metallic ores	40,624	39,068
Coal	119,033	100,464
Crushed stone, gravel & sand	13,238	13,185
Nonmetallic minerals	15,747	15,094
Grain mill products	13,583	12,313
Food and kindred products	14,622	13,789
Primary forest products	18,221	16,709
Lumber & wood products (except furniture)	7,525	6,193
Pulp, paper & allied products	17,668	16,095
Chemicals & allied products	23,558	24,113
Petroleum products	4,877	4,936
Stone, clay & glass products	13,919	13,843
Coke	6,250	6,780
Metals & products	14,856	13,858
Motor vehicles & equipment	12,725	13,208
Waste & scrap materials	11,316	10,395
Forwarder & shipping assn. traffic	8,326	7,852
All other carloads	39,583	36,659
LCL traffic	180	180
Total cars loaded	**423,607**	**388,569**
Cumulative total, 29 weeks	**11,986,387**	**12,607,624**
Estimated revenue ton-miles (billions), 29 weeks	**501.4**	**507.0**

PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended July 11 totaled 30,118 cars (8.4% above the corresponding 1980 week) and 51,704 trailers or containers (up 3.5% from 1980). Cumulative volume for the first 28 weeks of 1981 is 906,666 cars (up 0.3% from 1980) and 1,635,436 trailers or containers (down 0.5% from 1980).

● *Chessie.*—Formally opened, on July 16, a $33-million iron ore transshipment dock at Toledo, Ohio. The new facility, which is operated by Chessie System roads and owned by the Toledo Ore Railroad Co., a Chessie subsidiary, features an 8,140-ft-long, computer controlled conveyor belt system to handle and store taconite ore pellets delivered to Toledo by a new generation of 1,000-ft-long self-unloading boats.

● *Conrail.*—Announced the sale of its wholly owned subsidiary, Excelsior Truck Leasing (ETL) Co., for $23 million. Herbert S. McDonald, Inc., a company formed by the president of ETL and bearing his name, acquired Conrail's 100% interest in the company. ETL fabricates a variety of special purpose vehicles for lease or sale. They range from small pickup trucks with special bodies to larger trucks with cranes and other heavy equipment. Many are adaptable for use as hi-rail vehicles.

● *Southern.*—Has begun full-scale operations at a new $3-million track material manufacturing facility at Norris Yard, Birmingham, Ala. The plant manufactures spring frogs and other track related equipment for use throughout the Southern system.

● *Southern Pacific.*—Will lease and operate a new $55-million intermodal yard to be built at San Pedro, Calif., and jointly financed by the ports of Los Angeles and Long Beach. The 114-acre yard will be able to handle unit trains of up to 50 cars. It will be constructed in four stages; the first is to be completed in late 1983 and the last in 1995. Said Arthur Goodwin of the Port of Los Angeles: "We feel that when the rail yard is completed it will be the largest terminal west of the Mississippi, if not in the United States."

● *VIA Rail Canada.*—Has taken official delivery of its first LRC (light, rapid, comfortable) train set from Bombardier Inc. The train is the first of an order for 50 coaches and 21 locomotives, all to be delivered by the end of this year. Initially, said VIA Rail President Frank Roberts, LRC trains will be used to familiarize employees with the new equipment and for promotion purposes in major population centers. The trains will go into revenue service between Toronto and Montreal this fall; service will gradually be extended to other cities in the Quebec City-Windsor corridor. Roberts said a second order for LRC equipment will be placed "as soon as VIA has familiarized itself with the LRC and has established that the trains are living up to expectations."